

Message Text

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ACTION EUR-25

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AMEMBASSY ROME

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TAGS: ETRD, GATT, EEC, IT, DA

SUBJ: DANISH REACTION TO ITALIAN IMPORT MEASURES

BEGIN SUMMARY. DANISH GOVT POSITIONS PAPER ON ITALIAN

IMPORT MEASURES,

PREPARED MAY 1, EXPRESSES SERIOUS CONCERN OVER ITALIAN ACTION,

PARTICULARLY DANGER OF IT SETTING PRECEDENT FOR SIMILAR ACTION BY
OTHERS IN PRESENT TIGHT INTERNATIONAL FINANCIAL SITUATION CAUSED BY
ENERGY CRISIS. PAPER TAKES PAINS TO EMPHASIZE THAT ITALIAN MEASURE
SHOULD BE INTERPRETED IN CONTEXT OF TREATY OF ROME (ARTICLE 109) AND
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IS THUS SUSCEPTIBLE OF COMMUNITY SOLUTION. ALTHOUGH DANES ALSO FACE

CRITICAL BALANCE OF PAYMENTS PROBLEM, THEY HAVE BOTH IN PUBLIC AND PRIVATE STATEMENTS EMPHASIZED THAT DENMARK WOULD NOT CONSIDER SIMILAR ACTION. END SUMMARY.

1. FONOFF DEPUTY UNDER SECRETARY AGERUP TOLD ECONOFF THAT INTER-AGENCY ECONOMIC COMMITTEE (UNDER SECRETARY LEVEL) HELD SPECIAL MEETING MORNING OF MAY 1 TO FORMULATE POSITION PAPER ON ITALIAN IMPORT MEASURES WHICH WAS DISTRIBUTED TO CABINET MINISTERS AND CABLED TO BRUSSELS AND ROME. PAPER IS INTENDED AS BACKGROUND FOR DISCUSSION OF SUBJECT EXPECTED AT PERMREPS MEETING MAY 2. AGERUP SAID DANISH GOVERNMENT IS GRAVELY CONCERNED OVER UNILATERAL ITALIAN ACTION WHICH IS NOT ONLY ANOTHER BLOW TO COMMUNITY BUT COULD SIGNAL SIMILAR ACTION BY OTHER COUNTRIES IN BALANCE OF PAYMENTS DIFFICULTIES. HE CONFIRMED PRESS STATEMENT BY FORMER FONECONMIN NORGAARD THAT DENMARK HAS NO INTENTION OF TAKING SIMILAR ACTION DESPITE RAPIDLY DETERIORATING TRADE BALANCE AND ANTICIPATED EXTERNAL PAYMENTS DEFICIT THIS YEAR OF OVER ONE BILLION DOLLARS.

2. AGERUP SUMMARIZED DANISH POSITION PAPER AS FOLLOWS:

- A. ITALIAN ACTION WILL AFFECT 285 MILLION DOLLARS OUT OF A TOTAL EXPORT OF 320 MILLION DOLLARS ANNUALLY TO ITALY AND THEREFORE WILL HAV AN IMPORTANT NEGATIVE EFFECT ON DENMARK'S TRADE BALANCE.
- B. ITALIAN ACTION IS PERMISSIBLE UNDER ARTICLE 109 OF ROME TREATY AS PROVISIONAL MEASURE AND CAN BE TAKEN UP BY EC COMMISSION, MONETARY COMMITTEE AND COUNCIL WHICH COULD PROPOSE MODIFICATIONS OR SUSPENSION OF ACTION. ARTICLE 108 PROVIDES FOR COMMUNITY ASSISTANCE IN SUCH CIRCUMSTANCES. IT WOULD HOWEVER HAVE BEEN BETTER IF ITALY HAD RESORTED TO ARTICLE 108 INITIALLY.
- C. SINCE EC PROCEDURES EXIST FOR SUCH CASE, THEY SHOULD BE FULLY UTILIZED TO PREVENT FURTHER COMMUNITY DISINTEGRATION.
- D. AFTER OIL CRISIS LAST FALL, INTERNATIONAL EXCHANGE SITUATION HAS DEVELOPED IN MANNER GIVING GOOD CAUSE TO FEAR THAT ITALIAN MEASURES COULD LEAD TO COMPETITIVE IMPORT PROTECTION WITH RESULTANT SERIOUS CONSEQUENCES FOR ALL. IN THIS REGARD, DUE NOTE SHOULD BE TAKEN OF RESOLUTION BY EC FINANCE MINISTERS LAST FEBRUARY WARNING AGAINST JUST SUCH UNILATERAL MEASURES AND URGING MULTILATERAL SOLUTIONS.
- E. IT MUST BE PRIMARY TASK OF COMMUNITY TO CONTAIN ITALIAN ACTION TO BRIEFEST POSSIBLE PERIOD AND MAKE CERTAIN THIS IS ONE-TIME LIMITED OFFICIAL USE

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EVENT NOT TO BE EMULATED BY OTHER MEMBER COUNTRIES.

3. AGERUP SAID DANES ARE CONVINCED THAT ONLY SOLUTION, PARTICULARLY FOR THEM, LIES IN MULTILATERAL SOLUTION TO PRESENT EXTERNAL PAYMENTS DIFFICULTIES EXPERIENCED BY SO MANY COUNTRIES. WHEN TOLD WE HAD HEARD RUMORS, EVEN BEFORE ITALIAN MEASURES, THAT DANISH GOVT WAS CONSIDERING SERIOUS STEPS TO CURB RAISING BALANCE OF PAYMENTS DEFICIT, AGERUP INSISTED HE HAS NOT HEARD EVEN HINT IN ANY QUARTER OF

GOVT OF DIRECT IMPORT CURBS. IN FACT, HE NOTED, HE TWICE OBTAINED FULL GOVT CLEARANCE FOR UNCONDITIONAL SUPPORT BY DENMARK OF XCSS-PROPOSED OECD AGREEMENT THAT NO MEMBER COUNTRY TAKE UNILATERAL BALANCE OF PAYMENTS MEASURES ON DIFFICULTIES RESULTING FROM ENERGY CRISIS.

4. COMMENT: ALTHOUGH DANES HAD IMPOSED IMPORT SURCHARGE IN 1971, THEY APPEAR TO FEEL HOW--WITH GOOD REASON--THAT SITUATION IS VASTLY DIFFERENT. WITH ALL OF ITS MAJOR TRADING PARTNERS IN SIMILAR DIFFICULTIES, A SNOWBALLING OF IMPORT REDUCTION MEASURES WOULD HAVE DISASTROUS EFFECT ON SMALL COUNTRY AS DENMARK SO HEAVILY DEPENDENT ON FOREIGN TRADE. DANES CAN THEREFORE BE EXPECTED TO STRIVE VIGOROUSLY, BOTH IN EC AND GATT, TO KEEP ITALIAN MEASURES TO MINIMUM AND AVOID THEIR SETTING A PRECEDENT.
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